

# *California Housing Finance Agency*

*OMB Circular A-133 Reports for the  
Years Ended June 30, 2007*

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors  
California Housing Finance Agency  
Sacramento, CA

### Compliance

We have audited the compliance of California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency (Agency), a component unit of the State of California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to the Fund's major federal programs for the year ended June 30, 2007. The Fund's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Agency's management. Our responsibility is to express an opinion on Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fund's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to the Fund's major federal program for the year ended June 30, 2007.

### Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Fund, which is administered by the Agency, a component unit of the State of California, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. Our audit was performed for the purpose of forming our opinions on the Fund's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the Fund's combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Directors, management of the Agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

October 24, 2007

# CALIFORNIA HOUSING FINANCE FUND

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2007

Federal Grantor/ Program Title	2007	
	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
DIRECT PROGRAM:		
Section 8 Housing Assistance Payments Program — Special Allocation	14.195	<u>\$ 74,505,313</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 74,505,313</u>

See independent auditors' report and note to schedule of expenditures of federal awards.

# CALIFORNIA HOUSING FINANCE FUND

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2007

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### BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency, a component unit of the State of California, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The Fund receives all grants directly from the US Department of Housing and Urban Development. All amounts received are passed through to subrecipients. During the year ended June 30, 2007, no noncash awards were received.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
California Housing Finance Agency  
Sacramento, CA

We have audited the combined financial statements of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency (Agency), a component unit of the State of California, as of and for the year ended June 30, 2007, and have issued our report thereon dated October 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund's combined financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal controls over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management of the Agency, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

October 24, 2007

# **CALIFORNIA HOUSING FINANCE FUND**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2007**

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### **Part I — Summary of Auditors' Results**

The results of the audit of the California Housing Finance Fund (Fund), which is administered by the California Housing Finance Agency (Agency), a component unit of the State of California, for the year ended June 30, 2007, are summarized as follows:

- The independent auditors' report on the Fund's financial statements as of and for the year ended June 30, 2007, expressed an unqualified opinion
- No instances of noncompliance considered material to the financial statements was disclosed by the audit
- The independent auditors' report on compliance with requirements applicable to its major federal award program expressed an unqualified opinion for the year ended June 30, 2007
- The audit disclosed no findings required to be reported under OMB Circular A-133
- The Fund's major program was the U.S. Department of Housing and Urban Development Section 8 Housing Assistance Payments Program – Special Allocations (CFDA# 14.195)
- Based on a threshold of \$2,235,159 the Fund's program was a Type A program as defined in OMB Circular A-133
- The Agency qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

### **Part II — Financial Statement Findings Section**

No reportable matters, as defined by Government Auditing Standards, were disclosed by the audit.

### **Part III — Federal Award Findings and Questioned Costs Section**

No reportable findings and questioned costs, as defined in OMB Circular A-133, were disclosed by the audit.